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Administrative arrangements for the International Trade Centre

Report of the Secretary-General*

Summary

In its decision 57/572, the General Assembly took note of the report of the Secretary-General on the experience in applying the revised administrative arrangements approved by the General Assembly for the International Trade Centre of the United Nations Conference on Trade and Development (UNCTAD)/World Trade Organization (WTO) in its decision 53/411 B and endorsed the recommendation that the secretariats of the two parent organizations submit joint proposals to their respective legislative bodies on ways to streamline the number of budget documents produced and to simplify the budgetary approval process for the Centre to the maximum extent possible.

The present report has been prepared in consultation with the secretariats of WTO and the Centre. It contains a series of recommendations designed to simplify the revised administrative arrangements while adapting them to recent major changes in the budgetary processes of both parent organizations and to clarify some procedures. In addition, the report aims to consolidate information on the administrative arrangements to facilitate the review of the arrangements by the governing bodies of both parent organizations and their application by the administration of the three organizations concerned.

The report is being submitted simultaneously to WTO.

* The delayed submission of the present report is attributed to the consultations required with ITC and WTO to finalize the report.

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I. Introduction

1. The International Trade Centre (ITC), a joint body of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO), operates, from an administrative point of view, on the basis of arrangements agreed upon in 1974 between the United Nations and the General Agreement on Tariffs and Trade (GATT) and reviewed in 1998 and 1999. These unique arrangements have proven to be very effective from a programme point of view to ensure coherence in and avoidance of duplications in the activities of the three organizations, as also confirmed by the review of technical cooperation activities, conducted within the framework of the reform of the United Nations (see A/58/382), and the inspection of programme management and administrative practices of the International Trade Centre UNCTAD/WTO (see A/59/229).

2. However, WTO and the United Nations have different budgetary processes and the revised administrative arrangements, which were approved in 1999, did not succeed in completely addressing the unique situation of ITC within the overall budget procedures of each parent. Although there had been a general understanding that the revised administrative arrangements would avoid duplication of processes, this did not materialize fully. Instead, the arrangements resulted in a de facto duplication of some procedures and even in the creation of additional steps. This situation was documented in the report of the Secretary-General on the experience in applying the revised administrative arrangements approved by the General Assembly for the International Trade Centre UNCTAD/WTO in its decision 53/411 B. In its decision 57/572, the General Assembly endorsed the proposal to initiate consultations with ITC and WTO for a joint review of the arrangements.

3. Over the past year, changes have taken place in the budgeting process of both the United Nations and WTO, which provide a unique opportunity to streamline the current procedures while at the same time meeting the exigencies of programmatic decisions on the part of United Nations Member States and WTO members. The changes concern, in the case of the United Nations, the replacement of the four-year medium-term plan by a biennium-based strategic framework, and, in the case of WTO, the adoption of a biennium budget cycle (consisting of two consecutive financial periods covering each year of the biennium with consolidated accounting at the end of the biennium) which coincides with that of the United Nations, versus the annual budget cycle in force until the end of 2003.

II. Technical foundations for the existing administrative arrangements

4. The main foundations upon which the current administrative arrangements are based are the following (see A/53/7/Add.3, paras. 5 and 11):

(a) ITC is subject to the Financial Regulations and Rules and the Staff Regulations and Staff Rules of the United Nations;

(b) The budget of ITC is calculated in Swiss francs;

(c) ITC is subject to the oversight system of the United Nations (Office of Internal Oversight Services (OIOS) and Board of Auditors);

(d) The accounts of ITC, submitted in United States dollars, are reviewed and audited by the United Nations Board of Auditors;

(e) Reports of the United Nations oversight bodies and financial statements, certified by the Controller of the United Nations, are provided to the General Assembly and the General Council of WTO;

(f) The regular budget of ITC is financed in equal parts by the United Nations and the World Trade Organization;

(g) Budgetary information is provided simultaneously to the governing bodies of both parent organizations.

5. The operations of ITC have been fully adapted to such conditions and operate well to the satisfaction of all parties concerned. As a consequence there seems to be no need to revise them.

Recommendation 1

The arrangements concerning the facts that the regular budget of ITC is financed in equal parts by the United Nations and WTO, that the United Nations staff and financial rules and oversight mechanisms apply to ITC, that the ITC budget is calculated in Swiss francs, that both parent organizations are provided with the same information at the same time, and that oversight and financial reports are provided to WTO, are confirmed.

III. ITC budget outline

6. The main mechanism that had been envisaged in the revised administrative arrangements to facilitate the preparation of the ITC budget, i.e., the submission of a budget outline in the spring of the year preceding the next financial period, did not lead to the expected results.

7. The budget outline was introduced in order to respond both to the concerns of WTO that the control function on ITC budgetary procedures should be restored and assumed by WTO (see WT/BFA/2 L 7626, para. 1; see also A/C.5/52/45, attachment III) and retain the role of the United Nations in the financial administration of ITC. Due to the requirement for the United Nations to present a consolidated budget for the United Nations Secretariat in the spring of the year preceding the United Nations financial period while the consolidated budget of WTO is being presented only in the fall, the budget outline was conceived as a mechanism to reflect the agreement of both parent organizations on a proposed budget level for ITC for the coming biennium. It was agreed that the budget outline would present the requirements for the first year of the coming biennium, with a projection of the requirements for the second year. All amounts would be calculated in Swiss francs. At the same time, an initial fascicle of the United Nations proposed programme budget based on that outline would be presented to the General Assembly in United Sates dollars as part of the overall submission of the proposed programme budget, using the same rate of exchange as used for the proposed programme budget as a whole. For the bienniums 2002-2003 and 2004-2005, both the simplified fascicle and the ITC outline were prepared on the basis of the United Nations programme budget outline, as reviewed and approved by the General Assembly in accordance with resolution 41/213.

8. The governing bodies of both parent organizations were expected to approve the level of the outline for the following biennium (see A/53/7/Add.3, paras. 11 (a) and 11 (b)). The level of resources requested by ITC in its proposed budget, submitted in the fall as a full fascicle, would then have been prepared on that basis.

9. As documented in the annex to the present report, this process resulted in the preparation of four separate documents (one outline and one simplified fascicle for the United Nations, and two outlines for WTO), reviewed five times by either WTO (two reviews by the WTO Committee on Budget, Finance and Administration (CBFA)) or the United Nations (one review by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), one review by the Committee for Programme and Coordination (CPC) and one review by the General Assembly). The legislative bodies, however, did not take any decision on the proposed level of resources required by ITC. They simply took note of the planned level of resources to be requested by ITC, postponing any decision to the fall, when the full ITC budget fascicle would be received and reviewed together with the overall budget of both organizations (see General Assembly decisions 55/483 and 57/312 and WTO General Council decisions WT/GC/M/72, 77 and 84). Contrary to what was foreseen in the revised administrative arrangements, the submission of the outline did not lead to any decision but simply added workload to the ITC, WTO and United Nations administrations and to the legislative bodies of both organizations.

10. In order to reflect the will of the governing bodies of both organizations to maintain their control and authority in respect of their share of resources assigned to ITC, as well as to comply with the need of a comprehensive budget submission for the United Nations Secretariat, the following is proposed:

(a) The preparation of the outline will be discontinued;

(b) Taking into account the programmatic direction provided by the Joint Advisory Group (JAG), the governing body of ITC, the United Nations General Assembly and the WTO General Council, and the United Nations approved programme budget outline, and after consultations between the United Nations, WTO and ITC secretariats, a proposal in the form of a simplified fascicle, in the United Nations format, indicating the agreed level of resources, will be submitted in the spring of the year preceding the forthcoming financial period for information to the United Nations General Assembly and WTO General Council, with a request that both bodies take note of the planned level of resources that will be requested, as has occurred de facto for the past two bienniums;

(c) A full proposal in the form of a detailed fascicle would be submitted to the United Nations General Assembly and the WTO General Council for decision in the fall in order to ensure that both parent organizations be provided with the same information at the same time.

Recommendation 2

ITC will no longer be required to submit a budget outline as foreseen in the current administrative arrangements. A simplified fascicle will instead be submitted to both the United Nations General Assembly and the WTO General Council, for those bodies to take note of, with a full proposal to be submitted for decision by both bodies in the fall.

IV. United Nations strategic framework

11. In accordance with General Assembly resolution 58/269, the United Nations four-year medium-term plan has been replaced by the strategic framework, starting with the biennium 2006-2007. In accordance with paragraph 9 of General Assembly resolution 58/269, the strategic framework, as approved by CPC, will become an integral part of the 2006-2007 budget submission. In the case of WTO, such a programmatic document is not required.

12. As it did in 2004, ITC would submit its strategic framework to JAG in the spring of the first year of a financial period. JAG would provide guidance to ITC on the proposed strategic framework. The report of JAG, with the strategic framework amended, as required, to incorporate its recommendations, would be submitted to CPC. The same report and revised strategic framework would be submitted also to the WTO General Council through the WTO Committee on Trade and Development and to the UNCTAD Trade and Development Board.

Recommendation 3

The ITC strategic framework for the forthcoming biennium, in the United Nations format, will be submitted to and reviewed by JAG in the spring of the first year of a financial period. The strategic framework, amended based on comments from JAG, as required, will be submitted to CPC. The JAG report will be submitted for review and comments to the UNCTAD Trade and Development Board and to the WTO Committee on Trade and Development. The CPC-approved version of the strategic framework will be sent to WTO for information.

V. Presentation of budget fascicles

13. An issue outlined by the Board of Auditors and OIOS relates to the fact that for the past three budget formulation processes, ITC had to prepare two budget fascicles, containing the same financial and substantive information, in different formats thus duplicating its workload (see A/57/5 (vol. III), paras. 21-23; A/59/5 (vol. III), paras. 51 and 52; and A/59/229, para. 5).

14. The simplest solution to address this issue would be the submission to both organizations of the same budget fascicle in only one format, either WTO or the United Nations.

15. Alternatively, ITC could submit to WTO and the United Nations a fascicle in the WTO format, containing as an annex the programmatic part in the United Nations format. Since ITC is subject to the United Nations Financial Rules and Regulations and to the United Nations oversight bodies, the programmatic part (strategic framework, outputs and external factors) has to be presented in the United Nations format for the performance evaluation of ITC to both parent organizations.

16. Another option would be for ITC to submit to WTO and the United Nations a fascicle in the United Nations format, containing in the case of WTO, as an annex, the programmatic part in the WTO format.

17. After extensive review of these alternatives by the three secretariats, it was concluded that each one of them presented major shortcomings and would have

likely lead to the request, during the review process, by the legislative bodies to submit additional information, thus eliminating any marginal reduction in workload the new procedure would have achieved.

18. As a consequence, in view of the differing requirements needed by the review bodies of both the United Nations and WTO, it was concluded that ITC would need to continue to prepare two budget fascicles with the same financial and substantive information in different formats. It will also endeavour to harmonize the two documents, where possible, through consultations with the United Nations and WTO secretariats, to reduce the additional workload to the maximum extent possible.

Recommendation 4

ITC should continue to prepare two budget fascicles with the same financial and substantive information in different formats, and should endeavour to harmonize the two documents in consultation with the United Nations and WTO secretariats.

VI. Conclusions and main recommendation

19. **The General Assembly is requested to take note of the present report and to endorse the recommendations contained herein.**

Annex

Detailed timeline of the current and proposed simplified procedures for the review of the ITC proposed budget by the United Nations and the World Trade Organization

		Current procedure	*Proposed procedure*
YEAR 1	Spring	Submission of strategic framework to the ITC Joint Advisory Group (JAG)	Submission of strategic framework to the ITC Joint Advisory Group
	April	Review by JAG of strategic framework	Review by JAG of strategic framework
	June	Review by Committee for Programme and Coordination (CPC) of ITC strategic framework, with JAG comments	Review by CPC of ITC strategic framework with JAG comments
		Review by WTO Committee on Trade and Development (CTD) of JAG report, including comments on strategic framework	Review by CTD of JAG report, including comments on strategic framework
		Review by UNCTAD Trade and Development Board of JAG report, including comments on strategic framework	Review by UNCTAD Trade and Development Board of JAG report, including comments on strategic framework
		Review by WTO General Council of CTD report	Review by WTO General Council of CTD report
	November	Review by United Nations General Assembly of CPC report	Review by United Nations General Assembly of CPC report
YEAR 2	January	Submission by ITC to WTO of draft budget outline	
		Review of ITC draft budget outline by WTO Committee on Budget, Finance and Administration (CBFA)	
	February	Submission of United Nations budget outline and United Nations simplified budget fascicle	Submission of simplified budget fascicle taking into account programmatic direction provided by JAG, United Nations General Assembly and WTO General Council
		Submission by ITC of WTO budget outline	
	May	Review of United Nations budget outline by Advisory Committee on Administrative and Budgetary Questions (ACABQ)	Review of simplified budget fascicle by ACABQ

	Current procedure	*Proposed procedure*
	Review of WTO budget outline by WTO/CBFA	WTO/CBFA takes note of United Nations simplified fascicle and transmittal note from ITC
June	Review of ACABQ report by United Nations General Assembly	Review of ACABQ report by United Nations General Assembly
	Review of CBFA report by WTO General Council	WTO General Council takes note of CBFA report
September	Submission by ITC to United Nations General Assembly and WTO General Council of its proposed biennium budget for the following biennium	Submission by ITC to United Nations General Assembly and WTO General Council of its proposed biennium budget for the following biennium
October	Review of ITC proposed budget by ACABQ	Review of ITC proposed budget by ACABQ
	Review of ITC proposed budget by WTO/CBFA	Review of ITC proposed budget by WTO/CBFA
November-December	Review of ITC proposed budget and of ACABQ report by United Nations General Assembly and approval of budget for the following biennium	Review of ITC proposed budget and of ACABQ report by United Nations General Assembly and approval of budget for the following biennium
	Review of recommendations of CBFA by WTO General Council and approval of budget for following biennium	Review of recommendations of CBFA by WTO General Council for following biennium